BOARD OF DIRECTORS' STATEMENT

The Board of Directors (the "Board") of Shanghai International Shanghai Growth Investment Limited (the "Company") is pleased to present the thirteenth annual report for the year ended December 31, 2005.

REVIEW OF RESULTS

The Company recorded a profit of US$1,618,427 for the year ended December 31, 2005, a decrease of 22% year-on-year when compared with a net profit of US$2,083,392 in 2004. During the year under review, there was a drop in dividend income from unlisted investments as the Company continues to exhaust all possible alternatives to provide successful exit for some of its invested projects. As a result of successful divestments achieved for some projects, the Company recorded considerable gains on sale of unlisted investments.

During the year, the Company's dividend income from both listed and unlisted investments amounted to US$735,996 with an overall net realized gain of US$7,682,092 from divestments. Such gains, however, were largely eroded by an approximate US$5 million impairment loss recognized on one of the Company's unlisted investments in view of its continued poor performance which not only significantly widened its losses in 2005 but also became a doubtful going concern.

During the year under review, the Company continued to adopt prudent and thorough investment approach to explore new investment opportunities. The Company was presented with scores of investment opportunities, among which, further works and research in a host of selected companies had been conducted. Upon more in-depth due diligence conducted on those prospects, the Company either found further pursuit in some of those opportunities would be futile, or in instances where the company wanted to pursue further, was stopped short by the fact those prospects preferred or were in discussion with larger private equity investors which would be able to satisfy the fund raising objectives without involving too many investors. On the other hand, the Company continued to make progress and successfully divested three unlisted investments during the year.

The Company continues to manage its listed investments portfolio with the primary objective of generating profits on absolute returns approach. During the year, the Company recorded a realized gain of US$182,774 from listed securities. As at December 31, 2005, the Company's listed securities portfolio recorded a 11.5% drop compared with that at the end of 2004, primarily attributable to the sluggish performance of shares in Semiconductor Manufacturing International Corporation, of which the Company has a substantial weighting in its portfolio.

In June 2005, the Company paid a combined year-end and special dividend of US$1.50 per share for 2004. The Company's net asset value ("NAV") per share as at December 31, 2005 was US$4.03 after such dividend distribution, a 37.42% decrease compared with US$6.44 at the end of 2004. As at the end of December 2005, the Company's share price was US$3.925 *(2004: US$4.60)*, reflecting a 2.60% discount to NAV per share and a 17.93% improvement cum dividend payment for 2004.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL COMMITMENT

As a result of its success in exiting invested projects, the Company is able to continue and maintain a stable and liquid position in 2005 even after the dividend payout of US$13,357,500 for 2004. As at December 31, 2005, the Company's bank balances were US$19,733,275 *(2004: US$13,038,078)*, of which US$892,123 *(2004: US$2,523,227)* were held in Renminbi ("RMB") equivalent in the form of deposits held in a financial institution registered in mainland China. RMB is not a freely convertible currency and the RMB exchange rate remained relatively stable during the year.

The Company did not have any bank borrowing or capital commitment on its unlisted investments at the end of December 2005 and 2004 respectively.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

Except for the RMB bank deposits, the majority of the Company's assets are denominated in US dollars and Hong Kong dollars. As the peg of the Hong Kong dollar to the US dollar is expected to be maintained in the foreseeable future, no material exposure to exchange rate fluctuations is expected. Accordingly, there were no hedging instruments transacted to cover such exposure.

On July 21, 2005, the People's Bank of China adjusted the exchange rate of RMB to US dollars from 8.2765 to 8.1100. In view of the magnitude of this adjustment, the appreciation of RMB has positive but immaterial impact to the Company.

STAFF COSTS

Other than employing a qualified accountant to comply with the requirement under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company has no other employee. The Company continues to delegate the day-to-day administration of its investment portfolio to its investment manager, Shanghai International Asset Management (Hong Kong) Company Limited (the "Investment Manager").

CORPORATE GOVERNANCE

The Company is committed to achieve sound standards of corporate governance practices. Throughout the year ended December 31, 2005, the Company has applied and complied with all requirements set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules. Please refer to the "Corporate Governance Report" set out in pages 21 to 25 of this annual report for detailed information.

RENEWAL OF INVESTMENT MANAGEMENT AND ADMINISTRATION AGREEMENT

The Company's Investment Manager is regarded as a connected person under the provisions of the Listing Rules. The transactions contemplated under the management and administration agreement dated November 12, 1993 and as supplemented by three subsequent supplemental agreements (the "Investment Management Agreement") between the Company and the Investment Manager constituted continuing connected transactions (the "Continuing Connected Transactions") which, under Rule 14A. 35 of the Listing Rules are subject to requirements including reporting, announcement and approval by the Company's independent shareholders.

At the Company's annual general meeting held on May 18, 2005, the Company's independent shareholders have given their approval to a fourth supplemental agreement (the "Fourth Supplemental Agreement") to the Investment Management Agreement for a term of three years commencing July 1, 2005 between the Company and the Investment Manager. Details of the terms of the Investment Management Agreement and the Fourth Supplemental Agreement are set out in the Directors' Report on pages 31 to 33 under the heading "Investment Management and Administration Agreement and Continuing Connected Transactions".

DIVIDENDS

Subject to shareholders approval at the annual general meeting of the Company to be held on April 25, 2006, the Board recommends a special final dividend, to be paid from the share premium account, of US$1.20 per share payable in cash for 2005, representing a 30% return on the market share price at the time of announcing such dividend. If approved, distribution of such dividend will be paid on or before May 17, 2006 to shareholders whose names appear on the Company's Register of Members on April 18, 2006.

CLOSING OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from April 19, 2006 to April 25, 2006, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the above dividend, all transfers accompanied by the relevant share certificates must be lodged with the Registrars of the Company, Secretaries Limited, for registration not later than 4:00 p.m. on April 18, 2006.

PROSPECTS

China's economic growth in 2005 has undoubtedly been more impressive than most have forecasted. Though it is widely regarded China's growth rate will be somewhat slower in 2006 than in the previous year, the Company is still optimistic that the growth trend will continue albeit there will be some reshuffling in areas of growth due to restructuring and rebalancing of the economic policy.

China's macro tightening to curb over-investment and property price escalation, though not publicly announced, is viewed to have achieved the desired effect. For China, growth in 2006 and the next few years will not be its primary focus as organic demand has been effectively curbed. Policy focus will be shifted to areas such as industry restructuring and consolidation, environmental protection prompted by the recent toxic chemical spill into the Songhuajiang River, develop alternate energy sources (wind, solar and nuclear) to improve energy efficiency by 20% by 2010, stimulate domestic consumption on the back of increased disposable income, reduce over-reliance on trade surplus and increase investments in rural and mid-western regions of China.

The Company is convinced that growth in China will continue in 2006. With benign inflation in 2005, interest rate should remain steady. After four years of strong export growth since 2002, and the resulting high growth base, the Company will also focus investment opportunities in consumer related industries as stimulation of domestic consumption will be one of the initiatives the Chinese government wants to implement.

With aggressive spending by the Bush administration for reconstruction after hurricane Katrina, accelerating growth in the European Union albeit at a somewhat slower pace, and the strong Japanese recovery from its chronic domestic deflation, China-made goods should remain strong in its role as a price competitive and improved quality manufacturing base. The Company will also actively look into opportunities with strong domestic demand as well as established export channels.

While the Company has been able to exit most of its old investments in past year's efforts, it will continue to identify viable opportunities to invest with the clear objective of a viable exit for each of the new investments.

On behalf of the Board
Wu, Choi Sun William
Executive Director

Hong Kong, March 16, 2006